Getting less than expected in copyright transfers

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Davis v. Blige, 505 F.3d 90 (2d Cir. 2007), and Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137 (9th Cir. 2008), address the rights of transferees from copyright cotenants, but from opposite perspectives. *Blige* finds the transferee to have an unexpected reduction in capacity to defend, whereas *Sybersound* finds an unexpected reduction in capacity to sue.

When cotenants can sue, full recovery is unlikely; *see, e.g.,* Dew v. Dower, 258 Mont. 114, 128-28, 852 P.2d 549, 557 (1993) (real property co-owned by spouses). In federal courts, capacity to sue, much less recover, is usually limited by F.R.C.Pro. 19 (Rule 19); *see, e.g.,* IpVenture, Inc. v. Prostar Computer, Inc., 503 F.3d 1324, 1326 (Fed. Cir. 2007) (dismissal is appropriate unless all patent co-owners are joined).

In copyright litigation, the effect of Rule 19 is diminished by17 U.S.C. § 501(b). Although the last sentence allows courts to require joinder, the remainder permits co-owners to sue subject only to a notice requirement — and without guidance as to when notice alone is adequate. H.R.Rep. 94-1476, an authoritative legislative report, discusses the issue at 159 but is unhelpful.

Reduced obligations of copyright co-owners to join others is somewhat justified by mutual obligations to account. This is not addressed in the Act, but H.R.Rep. 94-1476 at 121, states, “Under the bill, as under the present law, coowners of a copyright would be… subject to a duty of accounting to the other coowners for any profits.” That duty may surprise patent lawyers aware that 35 U.S.C. § 262 explicitly denies the need for co-owners to account. Indeed, the relationship described in the House report may surprise most lawyers because it more resembles mutual agency than co-tenancy.

Whatever the rationale for § 501’s reduction in obligations to join, skepticism about non-joinder seems central to *Sybersound’s* dismissal of copyright, Lanham Act, unfair competition and RICO claims. Because copyright was central, when that claim failed for lack of standing, other claims went also; 517 F.3d at 1141.

The court also seemed skeptical that Sybersound was suing to enforce rights for karaoke, but the crux of the basis for dismissal was that its rights were acquired from TVT, only a co-owner of copyright in nine songs. Although TVT’s capacity to sue without joinder under § 501(b) is credited, 517 F.3d at 1145, Sybersound was unable to step into TVT’s shoes as “a co-owner… when it became the ‘exclusive assignee and licensee of TVT’s copyrighted interests… and also exclusive assignee of the right to sue.’” *Id.*

Refusal is based on a two-part analysis that applies both 17 U.S.C. §§ 201(d)(2) and 101. The court stresses first that, under § 201(d)(2), “*The owner of any particular exclusive right* is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title;” 517 F.3d at 1146. The court next refers to § 101’s definition of transfers as including exclusive rights and excluding “nonexclusive license[s];” *id.*

Ultimately, *Sybersound* finds, “unless all the other co-owners of the copyright joined…, TVT… could grant only a nonexclusive license to Sybersound because TVT may not limit the other co-owners’ independent rights to exploit the copyright;” 517 F.3d at 1146. That certainly implies that the court would have been no more receptive to suit by TVT than by Sybersound. If so, it is difficult to see what was accomplished by refusing to allow the latter to step into the shoes of TVT. If the court’s primary objection

was the non-joinder under § 501(b), maybe it would have been more useful to attend closely to the last sentence of that subsection.

The analysis based on §§ 101 and 201 is, however, unconvincing, particularly if it is appreciated that the Act refers to "transfers" in § 204 as well as in § 201(d). Because § 204 requires "a transfer of copyright ownership" to be written and signed, the quoted exclusion flagged by the court seems intended only to make clear that nonexclusive licenses need not be written. In that vein, it seems relevant that the definition excludes only "licenses." Whatever Sybersound held, it was more than that.

Blige presents an interesting contrast, but extended discussion is unnecessary. It analyzes the rights of a defendant rather than a plaintiff. Only after one co-owner sued did the defendant acquire an interest from another co-owner. Although the court acknowledges that copyright co-owners owe each other no more than a duty to account, it refuses to treat the defendant as a co-owner for the purposes of avoiding liability in that on-going suit.

The court also offers two compelling reasons to support its conclusion; 505 F.3d 105-06. Discussion of those reasons is unnecessary for present purposes, but they would seem to apply regardless of whether any co-owner who conveys some or all of its interest to a defendant is a litigant.

Blige does not permit defendant to evade liability by a retrospective transfer, but it casts no doubt on the capacity of transferees, exclusive or not, to sue on the same basis as original owners. *Sybersound's* refusal to permit suit by a transferee without denying that right to the original owner, however, contrasts starkly. That transferees do not stand in the shoes of their transferors for purposes of enforcement is a radical proposition. It seems wholly unjustified by the circumstances where it was applied and should be rejected.

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